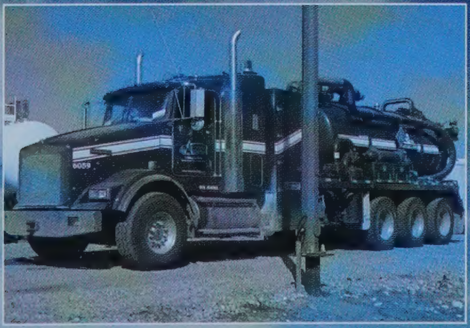
DALMAC ENERGY INC.

"Doing It Right"

Annual Report 2006



DALMAC ENERGY INC.

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To our shareholders:

Fiscal 2006 was an excellent growth year for Dalmac. Revenue has more than doubled from the preceding year. The increase in revenue was due to organic growth. As of April 30, 2006, we have completed the purchase or lease of new equipment valued at $2.7 million. We will further supplement that with purchases or leases of new equipment valued at $5.0 million which is expected to be delivered by the third quarter of fiscal 2007.

Dalmac Energy Inc. is a provider of "hot oiler", "hydro vac", "vacuum", "pressure" and "tanker truck" services to the west central Alberta energy sector. Other products and services provided by the Company include "methanol/ glycol", and "KCL" distribution and delivery. We presently have a total of 67 service units. By the end of fiscal 2007 we expect the number of service units to increase to 89. Dalmac has operations in Fox Creek, Hinton and Grande Cache Alberta and continues to focus on activities through out the west central Alberta region.

In fiscal 2006 Dalmac has completed two financings one for $1.0 million and the other for $6.0 million. This has contributed significantly to our capacity to expand operations. While the Company is evaluating new technologies to supplement existing operations, well servicing still continues to be the focus of our expansion activity. Our business strategy revolves around internally generated growth while continually monitoring M&A opportunities for appropriate acquisitions. To date we have been successful in developing our organic growth plans which consisted of increasing our number of operating units and training new personnel to allow for continuation of this rapid growth. Our management team has confidence in our people to execute and follow through with these growth plans

While there are always risks involved with rapid growth we feel that the risks are mitigated significantly by the strategy we have chosen to pursue. Dalmac focuses mainly on production services rather than exploratory work, so the demand for its products and services is slightly insulated from the affects of changes in commodity prices. Production and field work provides a steady baseline demand for the company's products and services.

By concentrating on activities in areas where Dalmac has demonstrated technical and operational advantages and by employing highly qualified professional staff we are able to minimize risks associated with external competition. Environmental and safety standards and regulations are continually becoming more stringent in our industry and Dalmac is committed to constantly maintaining its high standards. Dalmac's strategy also further mitigates business risks by establishing strategic alliances with qualified partners, developing new technologies and methodologies as well as investigating new business opportunities.

Continued high commodity prices bode well for the oil and gas industry. Exploration and production from the Western Canadian Sedimentary Basin is also continuing at record levels which in turn is creating a healthy environment for Dalmac in the foreseeable future. Dalmac's ability to meet the demands of our customers is limited by our current capacity. Last year this has resulted in work turn downs caused by lack of equipment. Fiscal 2007 is expected to replicate last year's utilization levels and with the added capacity of the additional new equipment scheduled to be delivered in the winter of fiscal 2007 we are encouraged by the expected growth in revenue.

On behalf of the Board of Directors, I would like to than our employees for their commitment and the shareholders for their patience and confidence as we continue to build a strong and vibrant oil field services company.

Yours truly,

John Babic
President and Chief Executive Officer

DALMAC ENERGY INC.

Year Ended April 30, 2006
Prepared August 25, 2006

This Management Discussion and Analysis (MD&A") dated August 25, 2006 focuses on key statistics from the audited consolidated financial statements for Dalmac Energy Inc. for the year ended April 30, 2006 and pertains to known risks and uncertainties relating to the oilfield services industry where Dalmac operates. This discussion and analysis should be read in conjunction with the Company's corresponding financial statements for the same period and should not be considered all-inclusive, as it excludes changes that may occur in general economic, political and environmental conditions. The MD&A and financial statements for earlier periods should also be considered relevant and are available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com.

Forward-looking information

Statements in this MD&A relating to matters that are not historical facts are forward looking statements. Such forward-looking statements may involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of the Company to be materially different from any future results implied by such forward looking statements. Some of the risks that may cause actual results to vary are described under the "Business Risks" section. References in this MD&A to "Dalmac", the "Corporation", "Company", "us", "we" and "our" mean Dalmac Energy Inc. and its subsidiaries 750761 Alberta Ltd. and McClelland Oil Services Inc.

Corporate Overview

Dalmac Energy Inc. ("Dalmac" or "the Company") is a provider of "hot oiler", "hydro vac", "vacuum", "pressure" and "tanker truck" services to the west central Alberta energy sector. Other products and services provided by the Company include "methanol/glycol", and "KCL" distribution and delivery. The Company presently has a total of 67 service units.

2006 was an excellent growth year for Dalmac. Revenue has more than doubled from the preceding year. The increase in revenue is due to organic growth. The demand for Dalmac's products and services is continuing to exceed the Company's current capacity to supply which further indicates strong growth opportunities. The Company has received new equipment, through purchases or leases, valued at $2.7 as of April 30, 2006 and will supplement that with a further purchase of $5.0 million of new equipment expected to be delivered by the third quarter of fiscal 2007 (Q3, 2007).

Effective April 30, 2005 the Company changed its year end date from December 31 to April 30 resulting in a 16 month year for the financial period ended April 30, 2005. All future financial reporting will be done on the April 30 year end basis. This change further impacted on the quarterly comparisons and as a result the quarters are referred to "Period Ended" (See Summary of Quarterly Results)

Selected financial Year End Information

(000's Cdn Dollars, except per share)	YE Apr 30, 2006	16 mo's YE Apr 30, 2005	YE Dec 31 2003
Revenues	14,779	7,310	0
Gross Margin	4,365	2,711	0
Gross Margin %	29%	37%	0%
Net income (loss)	742	267	(17)
Net income per share - basic	0.10	0.08	(0.01)
Net income per share - diluted	0.09	0.07	(0.00)
Total Assets	16,259	9,637	756
Total long-term financial liabilities	2,441	3,148	0
Shareholder Equity	9,541	2,052	745
Weighted average common shares -basic	7,679	4,155	3,351
Weighted average common shares - diluted	8,106	4,817	4,210

Revenue

The annual revenue for the year ended (YE) April 30, 2006 increased by $7.5 million to $14.8 million or 102% over the $7.3 million reported in 2005. High oil and gas prices combined with increased activity in the energy sector translated into increased revenues for the Company.

The 102% increase in revenue can be attributed to:

- Purchase or leases of new equipment, valued at $2.7 miillion consisting of- 2 hydro vac units, 1 combo vac unit, 1 hot oiler, 1-3 ton 4x4 mini pumper, 2 –tandum tankers, 3 steel tridem pup trailers, 1 – aluminum tridem pup trailer and the immediate productive utilization of the new equipment to generate additional revenues.
- Successful marketing and consistent high quality customer service, especially in the Hinton – Grande Cache areas, created an expanded customer base and increased demand for our services
- Successful bundling of services to customers generated more revenue opportunities which would have previously been provided to our customers by third party sources

Revenues for YE 2003 reflect the period Dalmac was a Capital Pool Company.

Gross Margin

The gross margin for 2006, increased by $1.6 million to $4.3 million or 60% over $2.7 million in 2005. The Gross profit margin declined to 29% from 37% in the previous year primarily due to the increased use of subcontract operators driven by the demand for our services. The profit margins on subcontractors about 10% compared to 30% for company owned equipment. The Company received delivery of the $2.7 million of new purchased or leased equipment, which when delivered has reduced the utilization of subcontractors. The previous year is not indicative of 12 months of operations due to the fact that it covers a 16 month period which only records the 6 months of operations of the Company's subsidiary, McClelland Oil Services Inc.. These last 6 months coincide with the Company's busiest periods. This also effectively, minimizes the negative impact of the months that are weaker due to spring break up conditions. The 6 months of operations recorded is due to the timing of the Qualifying Transaction which occurred in early November 2004.

The change in gross margin is attributed primarily to:

- larger revenues in 2006 compared to 2005.
- Along with increased purchase of new equipment the company hired new personnel. This increased training costs which are not immediately offset by increased revenue, thereby increasing labour costs disproportionately to revenues. The Company has introduced an extensive and effective training and education program of operations and field personnel which has increased the overall knowledge base. This knowledge transfer allows the new trainees to become productive within a relatively short period of time. This will minimize the effect of the "learning curve" and translate to a positive impact on costs.
- The Company's receipt of new equipment purchased and leased decreased the use of subcontractors. Utilizing sub contractors is more costly than utilizing Company equipment. The receipt of the new equipment, however, happened primarily in the last quarter of 2006 therefore its effect on the gross margin was limited.
- 2005 represented 16 months of operations and as such did not fully reflect the effect of losses in the earlier quarters caused by spring breakup conditions.

Net income increased $474,698 to $742.060, or 178% from $267,362 reported in 2005. Net income per fully diluted share increased by $0.02 to $0.09, or 29% from the $0.07 reported in the previous period.

General and Administrative ("G&A") Expenses

General and administrative ("G&A") costs, which represent all non-direct operational costs, were up by $0.5 million to $1.2 million or 65% over the $0.6 reported in the previous period. Wages & Benefits increased $0.6 million to $1.1 million or 96% from the $0.6 reported for the period ended April 30, 2005. G&A plus wages and benefits increased 78% while revenues increased 102%. This indicates that the Company has been able to increase revenues without a corresponding increase operating (G&A, Wages & Benefits) expenses.

Amortization of Property and Equipment

Amortization of property and equipment, increased by $349,113 to $737,959, or 90%, over the $388,846 in the previous period. Amortization is dependant on the timing of additions to property and equipment. Disposals of equipment during the year ended April 30, 2006 were consistent with the normal course of business activities and resulted in a loss of $73,676 on the disposal of assets compared to a loss of $17,980 in the previous period.

Interest Expense

Interest expense for long term debt for the year ended 2006 increased $132,245 to $251,196 or 111% over the $118,951 reported in the previous period. The long term debt is for equipment purchases and vendor take back financing which is associated with the acquisition of McClelland Oil Services Inc. and S Young Oilfield Ltd. In 2006 interest on callable debt and other was $67,206.

Income Taxes

The Company was in a taxable position in 2006. The current income tax obligation was $150,645 and future tax obligation was $874. The company has utilized tax loss carry forwards as at April 30, 2006, the benefit of which has been recognized in the consolidated financial statements.

Summary of Quarterly Results

(000's Cdn Dollars, except per share)	Q4, 06 Period Ended Apr 30 2006	Q3, 06 Period Ended Jan 31, 2006	Q2, 06 Period Ended Oct 31, 2005	Q1, 06 Period Ended Jul 31 2005
Revenue	4,018	4,533	3,472	2,807
Net income (loss)	535	411	30	(238)
Net income per share - basic	0.08	0.06	0.005	(0.04)
Net income per share - diluted	0.07	0.05	0.004	(0.04)

Selected Period Information

For the periods ended (Cdn Dollars)	*Q6, 05 Period Ended Apr 30 2005	Q5, 05 Period Ended Mar 31, 2005	Q4, 05 Period Ended Dec 31, 2004	Q3, 05 Period Ended Sept 30 2004
Revenue	784	4,442	2,084	0
Net income (loss)	(-296)	628	(226)	(73)
Net income per share - basic	(0.07)	0.151	(0.04)	(0.02)
Net income per share - diluted	(0.07)	0.130	(0.04)	(0.02)

* The quarter endings do not conform to a normal fiscal year due to the year end changes associated with the qualifying transaction which resulted in a 16 month year.

Description of Quarterly Results

Revenue by Quarter (000)

Q4, 2006 Q6, 2005
$4,018 $784

The fourth quarter, depending on when spring break up, can be the busiest quarter. In February and March 2006 we received the balance of the new equipment purchases ($0.7 million). In 2006 spring breakup began early. From the 2nd week of April to the May long weekend road bans were in effect which had the result of bring operations to a near crawl. Q6, 2005 was a one month quarter due to the timing of the 16 month year end in 2005.

Q3, 2006 Q5, 2005
$4,533 $4,442

The third quarter is generally the second busiest quarter. In 2006 this was not the case because of an early spring break in April. The winter months are the busiest because they allow access into various terrains which are not accessible in other seasons, i.e. such as swamp and muskeg. Q3, 2006 represented the months of November, December and January where Q5, 2005 represented the months of January, February and March. In Q3, 2006, we received the bulk of the $2.7 new equipment purchases. ($2.0 million)

Q2, 2006	Q4, 2005
$3,472	$2,084

The second quarter is traditionally Dalmac's 3rd busiest quarter. It usually marks the preparation for winter activity. Q2, 2006 represented the months of August, September and October where Q4, 05 represented the months of October, November and December. In Q4, 2005, Dalmac completed its qualifying transaction on November 4, 2004, and as such there was only 2 months of operational revenue claimed.

Q1, 2006	Q3, 2005
$2,807	$0

The first quarter is traditionally the slowest quarter. It marks the spring breakup and the generally slower summer holiday season. In 2006, the spring break up was relatively short and the activity levels started increasing soon after. The summer months were exceptionally busy. Q1, 2006 represented the months of May, June and July. In Q3, 2005, which ended September 30, 2004, Dalmac was a Capital Pool Company with no revenue to report.

Liquidity and Capital Resources

Dalmac's capital requirements consist primarily of working capital necessary to fund operations, capital expenditures related to the purchase and manufacture of operating equipment, and capital to finance strategic acquisitions. Sources of funds to meet these capital requirements include cash flow from operations, external lines of credit, equipment financing, term loans and equity financings.

The Company has a banking facility of $3.0 million, which consists of a $1.5 million line of credit and a $1.5 million demand Revolving Term Loan. The interest rate on the line of credit is a floating rate of 1% above the bank's prime lending rate (which prime lending rate is presently 6%) and the rate on the term loan is a floating rate equal to 1.25% above the bank's prime lending rate. In addition the Company has a $4.0 million leasing line of credit with GE Canada Equipment Financing. As of April 30, 2006 bank indebtedness decreased by $559,733 to $597,000 or 48% less than the $1,156,733 outstanding at end of the previous period.

At April 30, 2006, long term debt decreased by $0.7 million to $3.7 million or 16% from the $4.4 million in the preceding period. The callable debt consisted of bank loans payable for equipment purchases. The callable debt decreased by $49,397 to $307,080 or 14% lower than the $356,477 outstanding as at April 30, 2005.

On September 27, 2005 the Company completed a short form offering of 1,428,571 units at a price of $0.70 per unit, for a total proceeds of $1 million. Each unit consists of one common share and one half share purchase warrant; each whole share purchase warrant entitles the holder to purchase on additional common share at a price of $0.85 per share if exercised by September 27, 2007. The Company also granted agents' options to purchase a total of 142,857 units at a price of $0.70 per unit as part of the agent's compensation in connection with this offering.

On February 28, 2006, Dalmac completed a bought deal private placement with Research Capital Company for total proceeds of $6,000,000 through the sale of 4,800,000 units at $1.25 per unit. Each unit consists of one common share and one half of one common share purchase warrant of the Company. Each common share purchase warrant entitles the holder to purchase one common share at $1.50 and is valid for 24 months from closing. Underwriting fees consisted of 8% cash commission on the gross proceeds with options to acquire 480,000 units at an exercise price of $1.25, such options expire February 28, 2008.

Working Capital

At April 30, 2006, the Company had a positive working capital of $5.4 million, compared to a deficit of $1.3 million at April 30, 2005. A substantial part of the working capital increase resulted from the financings in September of 2005 and February of 2006.

The Company believes that it has adequate capital resources available to meet its working capital and capital expenditure requirements as they arise.

Shareholders' Equity

At April 30, 2006, shareholders' equity increased by $7.5 million to $9.5 million or 365% over the $2.0 million reported at April 30, 2005. Retained earnings increased $742,060 to $992,266 or 297% over $250,206 reported at April 30, 2005. The Short Form offering of $1.0 million which closed in September 27, 2005 and the private placement of $6.0 million completed February 28, 2006 contributed significantly to the increase in equity.

Summary of securities as at the end of the reporting period

a) Unlimited Common Shares without nominal or par value
Unlimited Preferred shares without nominal or par value

Capital	Amount Authorized	Outstanding as at April 30, 2006	Outstanding as at April 30, 2005
Dalmac Common Shares	Unlimited	12,373,978	5,795,964
Preferred Shares	Unlimited	Nil	Nil

As of the date of this MD&A the following table summarizes the issued and outstanding shares options and warrants:

Common Shares	Options	Warrants
12,427,833	904,189	3,074,616

Related Party Transactions

During this reporting period Company leased premises from 1010417 Alberta Ltd., a company owned by a director of the Company, for a total consideration of $81,600. As of April 30, 2006, the Company was indebted to a director of the Company for an amount of $140,000. There was no interest due on this loan during the year ended April 30 2006.

In accordance with a management and consulting contract with a company controlled by a director, the Company paid or accrued $160,380 (2005 - $51,000). The Company pays consulting fees of $9,350 per month, increasing by 10% per year, pursuant to a contract agreement which expires on November 14, 2009. In addition, if the Company's net earnings before tax reach $500,000, the contract agreement requires a bonus payment of 5% on the first $500,000 of the Company's earnings before tax, 6% on amounts between $500,001 and $800,000, 7% on amounts between $800,001 and $1,000,000 and 7.5% on amounts over $1,000,000.

The aforementioned transactions are in the normal course of operations and have been valued in the April 30, 2006 financial statements at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Critical Accounting Policies

The Company's financial statements have been prepared in accordance with Canadian generally accepted accounting Principals (GAAP) and sometimes may include estimates that reflect management's estimates and assumptions which affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements for the period reported. Estimates are based upon historical experience and various other assumptions that reflect management's best judgments. These estimates are evaluated periodically and form the basis for making judgments regarding the carrying values of assets and liabilities and the reported amount of revenue and expenses. Actual results may differ.

Recent Developments

On May 25, 2006, Dalmac announced the acquisition of $5.0 million of new operating equipment, of which delivery is expected in Q3 and Q4 of 2007. All the equipment will not be finished at the same time and the delivery will be spread out from late October, 2007 to January 2008. This equipment will consist of hot oiler units, pressure trucks, sour sealed tri drive haulers, chemical trucks, combination vacs, sour sealed bulkers and various other equipment.

Subsequent Events

There have been no subsequent events of any significance since April 30, 2006.

Business Risks

Dalmac's business varies directly with production, exploration and drilling activity in northwestern Alberta and is subject to the risks and variables inherent in the oilfield services industry. The demand for Dalmac's products and services is directly affected by factors such as oil and gas commodity prices, weather, changes in legislation, exchange rates, the general state of domestic and world economies, concerns regarding fuel surpluses or shortages, substitution through imports or alternative energy sources, changes to taxation or regulatory regimes and the broad sweep of international political risks such as war, civil unrest, nationalization and expropriation or confiscation, which are all beyond the control of the Company and cannot be predicted. The oil market is influenced by global supply and demand considerations and by the supply management practices of OPEC. The natural gas market is primarily influenced by North American supply and demand and by the price of competing fuels.

The Company focuses mainly on production services rather than exploratory work, so the demand for its products and services is slightly insulated from the affects of changes in commodity prices. Production and field work provides a steady baseline demand for the company's products and services. However, those competitors that are affected initially by reduced exploration activity will have idle equipment which they may attempt to redeploy into production activities. This could increase competition and put pressure on margins for Dalmac's core operations.

The risks associated with external competition are minimized by concentrating on activities in areas where the Company has demonstrated technical and operational advantages and by employing highly qualified professional staff. Environmental and safety standards and regulations are continually becoming more stringent in the industry and Dalmac is committed to maintaining its high standards. The Company also mitigates business risks by establishing strategic alliances with qualified partners, developing new technologies and methodologies as well as investigating new business opportunities.

Outlook

Dalmac believes it has adequate working capital, cash flow from operations, and access to capital to fund its ongoing business requirements. Management believes the Company has a cost structure that has sufficient variability to be able to adapt to the volatility of the industry. Dalmac has experienced management at all levels of operations.

High commodity prices continue to bode well for the oil and gas industry. Exploration and production from the Western Canadian Sedimentary Basin is also continuing at record levels. This, in turn, creates a healthy environment for Dalmac's products and services in the foreseeable future. The Company's ability to meet the demands for its products and services is limited by its current capacity. This invariably results in work turn downs because of lack of equipment. This indicates excellent growth opportunities for Dalmac. Fiscal 2007 is expected to replicate last year's demand levels for the Company's products and services. With the additional equipment purchases expected to be delivered in the winter of fiscal 2007, Dalmac is encouraged by the expected growth in revenue.

Dalmac is currently reviewing expansion opportunities, including possible acquisitions, which may involve the requirement for capital expenditures beyond the normal course for the Company. Dalmac may pursue any or all these opportunities that may present themselves. In doing so the Company may incur debt, issue equity, or any combination of the foregoing.

Disclosure Controls and Procedures

As defined in Multilateral Instrument 52-109, disclosure controls and procedures require controls and other procedures be designed to provide reasonable assurance that financial and non-financial information required to be disclosed is duly recorded, processed, summarized, accumulated and communicated to management. Such information must be disclosed on a timely basis and be in accordance with provincial and territorial securities egislation.

The Company has designed and evaluated the effectiveness of its disclosure controls and procedures, as defined, and has concluded they were effective as of the end of the period covered by this report.

STOUT & COMPANY LLP
CHARTERED ACCOUNTANTS EDMONTON, CANADA

AUDITORS' REPORT

To the Shareholders of **Dalmac Energy Inc.**

We have audited the consolidated balance sheet of **Dalmac Energy Inc.** as at April 30. 2006 and the consolidated statements of income, retained earnings and cash flows for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at April 30, 2005 and for the sixteen month period then ended, prior to adjustments for the accounting error as described in note 13, were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 27, 2005. We have audited the adjustments to the 2005 financial statements and in our opinion, such adjustments, in all material respects, are appropriate and have been properly applied.

Edmonton, Canada
July 20, 2006

Signed "Stout & Company LLP"
Chartered Accountants

DALMAC ENERGY INC.
Consolidated Balance Sheet
April 30, 2006

	2006	2005 Restated
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents *(Note 3)*	$ 5,570,965	$ -
Accounts receivable	3,180,717	2,197,000
Inventory	73,359	157,151
Prepaid expenses and deposits	514,824	282,130
Current portion of loan receivable *(Note 4)*	32,034	-
	9,371,899	2,636,281
RESTRICTED CASH *(Note 5)*	100,000	-
PROPERTY AND EQUIPMENT *(Note 6)*	5,180,299	5,495,939
GOODWILL *(Note 1)*	1,504,313	1,504,313
LOAN RECEIVABLE *(Note 4)*	102,974	-
	$ 16,259,485	$ 9,636,533
LIABILITIES		
CURRENT LIABILITIES		
Bank indebtedness *(Note 7)*	$ 597,000	$ 1,156,733
Accounts payable and accrued liabilities	1,784,858	1,056,702
Income taxes payable	52,776	146,515
Callable debt due within one year *(Note 8)*	106,212	95,388
Current portion of long term debt *(Note 9)*	1,224,957	1,201,449
	3,765,803	3,656,787
Callable debt *(Note 8)*	200,868	261,089
	3,966,671	3,917,876
LONG TERM DEBT *(Note 9)*	2,440,655	3,147,779
FUTURE INCOME TAXES *(Note 10)*	311,632	519,000
	6,718,958	7,584,655
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(Note 11)*	8,255,693	1,736,980
CONTRIBUTED SURPLUS *(Note 12)*	292,568	64,692
RETAINED EARNINGS	992,266	250,206
	9,540,527	2,051,878
	$ 16,259,485	$ 9,636,533

APPROVED ON BEHALF OF THE BOARD

Signed "John I. Babic" *Director* Signed "Shawn T. Szydlowski" *Director*

See accompanying notes

DALMAC ENERGY INC.
Consolidated Statement of Income
Year Ended April 30, 2006

	2006 (12 months)	2005 (16 months) Restated
Revenue		
Service	$ 13,073,990	$ 6,637,667
Product sales	1,704,544	672,276
	14,778,534	7,309,943
Direct costs		
Service	9,230,219	4,153,739
Product sales	1,183,812	445,267
	10,414,031	4,599,006
	4,364,503	2,710,937
Expenses		
General and administrative	1,237,982	751,467
Wages and benefits	1,137,774	580,493
Amortization	737,959	388,846
Interest on long term debt	251,196	118,951
Interest on callable debt and other	67,206	23,665
	3,432,117	1,863,422
Income from operations	932,386	847,515
Other income (expense)		
Interest	34,869	8,944
Loss on disposal of property and equipment	(73,676)	(17,980)
	(38,807)	(9,036)
Income before income taxes	893,579	838,479
Income taxes *(Note 10)*		
Current	150,645	270,515
Future	874	300,602
	151,519	571,117
NET INCOME FOR THE YEAR	$ 742,060	$ 267,362
Net income per share		
Basic	$ 0.10	$ 0.08
Diluted	$ 0.09	$ 0.07
Weighted average number of shares		
Basic	7,678,768	4,154,757
Diluted	8,106,469	4,816,814

DALMAC ENERGY INC.
Consolidated Statement of Retained Earnings
Year Ended April 30, 2006

		2006 *(12 months)*		2005 *(16 months) Restated*
RETAINED EARNINGS (DEFICIT) AT BEGINNING OF YEAR				
As previously reported	$	**310,395**	$	(16,981)
Prior period accounting error *(Note 13)*		**(60,189)**		-
As restated		**250,206**		(16,981)
Net income for the year		**742,060**		267,362
		992,266		250,381
Dividends		**-**		(175)
RETAINED EARNINGS AT END OF YEAR	$	**992,266**	$	250,206

See accompanying notes

DALMAC ENERGY INC.
Consolidated Statement of Cash Flows
Year Ended April 30, 2006

	2006 (12 months)	2005 (16 months) Restated
OPERATING ACTIVITIES		
Net income for the year	$ 742,060	$ 267,362
Items not affecting cash and cash equivalents:		
Amortization	737,959	388,846
Loss on disposal of property and equipment	73,676	17,980
Future income taxes	874	300,602
Stock-based compensation	-	64,692
	1,554,569	1,039,482
Changes in non-cash working capital	(498,205)	(1,176,077)
	1,056,364	(136,595)
INVESTING ACTIVITIES		
Purchase of property and equipment	(747,769)	(5,963,129)
Proceeds on disposal of property and equipment	251,776	78,344
Purchase of goodwill	-	(1,504,313)
Loan receivable	(160,206)	-
Payments received on loan receivable	25,198	-
Increase in restricted cash	(100,000)	-
	(731,001)	(7,389,098)
FINANCING ACTIVITIES		
Dividends paid	-	(175)
Proceeds from issuance of share capital	7,186,674	975,247
Share issuance costs	(648,327)	-
Proceeds from callable debt	70,609	364,426
Proceeds from long term debt	519,254	4,955,504
Repayment of callable debt	(120,006)	(7,949)
Repayment of long term debt	(1,202,869)	(606,276)
(Decrease) increase in bank indebtedness	(559,733)	1,156,733
	5,245,602	6,837,510
Increase (decrease) in cash and cash equivalents	5,570,965	(688,183)
Cash and cash equivalents at beginning of year	-	688,183
CASH AND CASH EQUIVALENTS AT END OF YEAR *(Note 3)*	$ 5,570,965	$ -

SUPPLEMENTARY INFORMATION *(Note 14)*

See accompanying notes

1. DESCRIPTION OF OPERATIONS

Dalmac Energy Inc. (the "Company") was incorporated under the Canada Business Corporations Act and is listed on the TSX Venture Exchange. The company is a provider of hot oiler, hydro vac, vacuum, pressure and tanker truck services to the oil and gas industry in Alberta.

Effective November 8, 2004 the Company acquired for cash and common shares, all of the outstanding shares of McClelland Oil Services Inc. (McClelland). McClelland operates a fleet of service vehicles and equipment used in the oil and gas industry in Alberta.

McClelland acquisition

The purchase price was $2,280,000, comprised of $911,000 cash, $509,000 of promissory notes, and 2,150,000 common shares valued at $0.40 per share totaling $860,000. The following table summarizes the estimated fair value of the assets acquired and liabilities assumed at the date of acquisition.

Current assets	$ 2,164,204
Property and equipment	3,900,931
Goodwill	1,222,713
Total assets acquired	7,287,848
Current liabilities	3,047,722
Long-term debt	1,741,728
Other liabilities	218,398
Total liabilities assumed	5,007,848
Net assets acquired	$ 2,280,000

Effective March 14, 2005, the Company acquired for cash and common shares the assets and business of S Young Oilfield Ltd. (S Young). S Young is engaged in hydro vac operations servicing the oil and gas industry in Alberta.

S Young acquisition

The purchase price was $850,000, comprised of $340,000 cash, $386,000 of promissory notes, and 210,169 common shares valued at $0.59 per share totaling $124,000. The following table summarizes the estimated fair value of the assets acquired at the date of acquisition.

Property and equipment	$ 568,400
Goodwill	281,600
Total assets acquired	$ 850,000

The results of operations from these acquisitions are included in the accounts from the effective date of acquisition.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries 750761 Alberta Ltd. and McClelland Oil Services Inc.

(b) Cash and cash equivalents

The Company considers cash and short term investments as cash and cash equivalents.

(c) Inventory

Inventory is valued at the lower of cost and net realizable value with the cost being determined on a first-in, first-out basis.

(d) Property and equipment

Property and equipment are recorded at cost and amortized using the straight-line method over their estimated useful lives as follows:

Rental equipment	12 years
Service equipment	12 years
Plant equipment	10 years
Service vehicles	8 years
Trucks	8 years
Office equipment	4 years
Leasehold improvements	Term of lease

(e) Impairment of long-lived assets

In the event that facts and circumstances indicate that the carrying value of long-lived assets may be impaired, the Company performs a recoverability evaluation. If the evaluation indicates that the carrying value of the asset is not recoverable from undiscounted cash flows attributable to the asset, then an impairment loss is measured by comparing the carrying amount of the asset to its fair value.

(f) Goodwill

Goodwill comprises the excess of cost over fair values of the underlying net assets acquired arising from business combinations accounted for using the purchase method. Goodwill is not amortized.

The Company continually evaluates, on a two-step basis, whether an impairment of goodwill has occurred and whether an impairment loss should be recognized. The first test for impairment involves comparing the fair value of the Company with its carrying amount, including goodwill. The fair value of goodwill is determined by the excess of the fair value of the Company over the carrying amounts of its assets and liabilities. If the fair value of the Company exceeds its carrying amount, then goodwill is not considered to be impaired, and the second test is unnecessary. When the fair value of the Company does not exceed its carrying amount, the second test for impairment is performed, which involves comparing the fair value of goodwill with the carrying amount of goodwill. When the carrying amount of the goodwill exceeds the fair value of the goodwill, an impairment loss is recognized in an amount equal to the excess.

(continues)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Income taxes

Income taxes are accounted for by the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases.

(h) Revenue recognition

Service revenue is recognized when services are performed.

Product sales revenue is recognized when the products are shipped, at which time title passes to the customer.

(i) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. The significant areas requiring the use of management estimates relate to the amortization of property and equipment, determining the impairment of goodwill and the assumptions used in determining stock based compensation. Actual results could differ from these estimates.

(j) Lease obligations

Leases are classified as capital or operating leases. A lease that transfers substantially all of the benefits and risks incidental to the ownership of property is classified as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value at the beginning of the lease. All other leases are accounted for as operating leases wherein payments are expensed as incurred.

(k) Asset retirement obligations

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value is added to the carrying amount of the associated asset. The liability is accreted at the end of each period through charges to operating expenses.

(l) Stock-based compensation

Stock-based compensation of employees, directors, officers and consultants is recorded in accordance with the fair value based method.

(m) Net income per share

Basic net income per share is calculated based on the weighted average number of shares outstanding during the year. Diluted net income per share reflects the assumed conversion of all dilutive securities using the treasury stock method. Diluted net income per share figures are equal to those of basic net income per share if the effects of stock options and warrants have been excluded since they are anti-dilutive.

(n) Share issuance costs

Costs related to the issuance of shares (net of the related income effect) are charged against share capital.

3. CASH AND CASH EQUIVALENTS

	2006	2005
Guaranteed investment certificate	$ 5,032,274	$ -
Cash	538,691	-
	$ 5,570,965	$ -

4. LOAN RECEIVABLE

Loan, receivable $3,339 per month, principal and interest at prime plus 1%, due June, 2010. Automotive equipment of the borrower has been pledged as collateral. Approximate principal repayments to be received within the next five years are as follows:

2007	$ 32,034
2008	33,940
2009	36,393
2010	30,107
2011	2,534
	$ 135,008

5. RESTRICTED CASH

The Company has a $100,000 deposit held in trust by legal counsel for a promissory note holder as security for the promissory note in the amount of $245,402 (see note 9).

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated amortization	**2006 Net book value**
Land	$ 32,657	$ -	$ **32,657**
Rental equipment	74,573	30,129	**44,444**
Service equipment	4,449,225	1,497,012	**2,952,213**
Plant equipment	400,754	156,509	**244,245**
Service vehicles	3,403,509	1,611,890	**1,791,619**
Trucks	63,002	45,479	**17,523**
Office equipment	189,651	134,259	**55,392**
Leasehold improvements	107,100	64,894	**42,206**
	$ 8,720,471	$ 3,540,172	$ **5,180,299**

	Cost	Accumulated amortization	2005 Net book value
Land	$ 32,657	$ -	$ 32,657
Rental equipment	67,318	24,066	43,252
Service equipment	4,160,383	1,249,377	2,911,006
Plant equipment	391,480	114,295	277,185
Service vehicles	3,463,265	1,394,265	2,069,000
Trucks	103,317	50,203	53,114
Office equipment	158,720	106,247	52,473
Leasehold improvements	103,458	46,206	57,252
	$ 8,480,598	$ 2,984,659	$ 5,495,939

7. BANK INDEBTEDNESS

The Company's credit facility includes a demand revolving operating loan to a maximum of $1,500,000 (margined to accounts receivable), at an interest rate of prime plus 1%. At April 30, 2006, $597,000 (2005 - $730,000) had been drawn on this facility. In addition, the Company has a demand revolving term loan (see note 8) to a maximum of $1,500,000 at an interest rate of prime plus 1.25%. At April 30, 2006, $307,080 (2005 - $356,477) has been drawn on this facility.

The following has been provided as collateral for bank indebtedness and callable debt (see note 8):

i) general security agreement providing a first security interest in all present and after acquired property;
ii) assignment and postponement of creditors claim from a director and former director; and
iii) assignment of insurance coverage for full insurable values of all assets of the borrower.

As at April 30, 2006, certain debt covenants with respect to the Company's credit facility had not been met.

8. CALLABLE DEBT

	2006	2005
Bank loan, payable $657 per month principal, plus interest at prime plus 1.25%.	$ **22,979**	$ 30,863
Bank loan, payable $7,292 per month principal, plus interest at prime plus 1.25%.	**238,110**	325,614
Bank loan, payable $902 per month principal, plus interest at prime plus 1.25%.	**45,991**	-
	307,080	356,477
Less amount due within one year	**(106,212)**	(95,388)
	$ **200,868**	$ 261,089

As at April 30, 2006, certain debt covenants with respect to the Company's credit facility had not been met. Unless the bank loans are demanded the approximate principal repayments due within each of the next five years are as follows:

2007	$ 106,212
2008	106,212
2009	81,137
2010	10,824
2011	2,695
	$ 307,080

Collateral has been provided for the callable debt (see note 7).

9. LONG TERM DEBT

	2006	2005
Conditional sales contracts, with interest at rates ranging from 6.60% to 8.75% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to April, 2011, secured by specific service vehicles and service equipment (carrying value $3,913,243).	$ **2,987,708**	$ 3,436,022
Conditional sales contracts, with interest rates of 8.76% per annum, repayable in monthly principal and interest payments that vary over the term of each contract, maturing on various dates to December, 2007, secured by specific trucks (carrying value $44,217).	**34,491**	55,266
Promissory note, payable $11,701 per month, principal and interest at 4.25%, due March, 2008, secured by a charge against the assets of the company, subrogated to any existing charges.	**258,011**	384,525
Promissory note due to a former director of the Company, payable $8,373 per month, principal and interest at 4.25%, due November, 2008, secured by a general security agreement, shares of 750761 Alberta Ltd. sold by the promissory note holder to the Company and $100,000 of monies in trust (see note 5).	**245,402**	333,415
Promissory note due to a director of the Company, repayable in equal monthly principal and interest payments of $4,148 over thirty-six months with the first such payment commencing one month after the promissory note in the amount of $245,402 (2005 - $333,415) is paid in full, to bear interest commencing from that date at a rate of 4.25% per annum.	**140,000**	140,000
	3,665,612	4,349,228
Less current portion	**(1,224,957)**	(1,201,449)
	$ **2,440,655**	$ 3,147,779

Approximate principal repayments due within each of the next five years are as follows:

2007	$ 1,224,957
2008	1,110,088
2009	743,198
2010	409,784
2011 and subsequent	177,585
	$ 3,665,612

10. INCOME TAXES

(a) Non-capital losses

The Company has accumulated non-capital losses carried forward for income tax purposes of approximately $373,600, the benefit of which has been reflected in these financial statements. These losses may be applied against future taxable income within the limitations prescribed by the Income Tax Act (Canada) and expire as follows:

2014	$ **29,700**
2015	**189,600**
2016	**154,300**
	$ **373,600**

(b) Temporary differences

A future income tax liability reflects the net effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's future income tax liability are as follows:

	2006	2005
Income tax effect of taxable temporary differences:		
Net book value in excess of undepreciated capital cost for tax purposes	$ **597,225**	$ 494,000
Non capital losses carried forward	**(119,678)**	-
Share issuance costs deductible for tax purposes	**(193,294)**	-
Book value of goodwill in excess of tax value	**27,379**	25,000
Recognized future income tax liability	$ **311,632**	$ 519,000

(c) Income tax reconciliation

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 33.5% (2005 - 33.6%) to the income for the year and is reconciled as follows:

	2006	2005 *Restated*
Expected income tax expense	$ **299,349**	$ 281,710
Tax effect of expenses deductible for income tax purposes in excess of accounting purposes	**(207,172)**	13,031
Tax effect of current year losses not recognized	**51,683**	-
Tax effect of changes in income tax rates	**(56,280)**	206,870
Tax effect of taxable temporary differences	**63,939**	69,506
Effective income tax expense	$ **151,519**	$ 571,117

11. SHARE CAPITAL

(a) Authorized:

Unlimited common voting shares
Unlimited preferred shares, issuable in series

(b) Common shares issued:

	2006			2005		
	Shares		**Amount**	Shares		Amount
Balance, beginning of year	**5,795,964**	**$**	**1,736,980**	3,350,983	$	761,733
Issued on exercise of options	**292,143**		**133,719**	84,812		25,444
Private placements	**6,228,571**		**7,000,000**	-		-
Issued on McClelland acquisition *(Note 1)*	-		-	2,150,000		860,000
Issued on S Young acquisition *(Note 1)*	-		-	210,169		124,000
Issued on exercise of warrants	**62,300**		**52,955**	-		-
Fair value of options on exercise *(Note 12)*	-		**77,501**	-		-
Share issuance costs	-		**(745,462)**	-		(34,197)
Balance, end of year	**12,378,978**	**$**	**8,255,693**	5,795,964	$	1,736,980

Subsequent to the year ended April 30, 2006 the company issued 39,595 shares for $33,656 on exercise of warrants and 9,260 shares for $6,482 on exercise of options.

In September 2005, pursuant to a private placement, the Company issued 1,428,571 units at $0.70 per unit for aggregate proceeds of $1,000,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at $0.85 per share until September 27, 2007. The Company also issued options to the agent to acquire 142,857 units at an exercise price of $0.70 per unit (see note 12). The options expire on September 27, 2007, and each unit is identical to those issued under the private placement.

In February 2006, pursuant to a private placement, the Company issued 4,800,000 units at $1.25 per unit for aggregate proceeds of $6,000,000. Each unit consisted of one common share and one-half common share purchase warrant. Each full warrant entitles the holder to purchase one common share at $1.50 per share until February 28, 2008. The Company also issued options to the agent to acquire 480,000 units at an exercise price of $1.25 per unit (see note 12). The options expire on February 28, 2008, and each unit is identical to those issued under the private placement.

During the period ended April 30, 2005 the company issued shares pursuant to business combinations described in note 1.

(continues)

11. SHARE CAPITAL *(continued)*

(c) Stock options

The Company has a stock option plan under which directors, officers and employees of the Company and its affiliates are eligible to receive stock options. The maximum number of shares issuable pursuant to the exercise of outstanding options granted under the plan shall be 10% of the issued shares of the Company at the time of granting the options. The maximum number of common shares optioned to any one optionee shall not exceed 5% of outstanding common shares of the Company and options granted under the plan may not exceed five years. The exercise price of each option shall be determined by the directors at the time of grant but shall not be less than the price permitted by the policy or policies of the stock exchange(s) on which the Company's common shares are then listed.

The Company accounts for options granted under this plan in accordance with the fair value based method of accounting for stock-based compensation. The application of the fair value based method requires the use of certain assumptions regarding the risk-free market interest rate, expected volatility of the underlying stock and life of the options.

During the year ended April 30, 2006, the Company granted 142,857 options on September 27, 2005 and 480,000 options on February 28, 2006 to agents of the Company as commissions. The fair value of the options granted on September 27, 2005 was calculated assuming the risk free interest rate was 3.3%, the expected life of the options was two years and the expected volatility was 57%. The market price of the Company's shares at the grant date exceeded the option exercise price. The fair value of the options granted on February 28, 2006 was calculated assuming the risk free interest rate was 3.91%, the expected life of the options was two years and the expected volatility was 55%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation, which was recorded as a share issuance cost, and contributed surplus of $305,377 during the year.

During the period ended April 30, 2005, the Company granted 150,000 options on March 21, 2005 to directors and senior officials of the company. The fair value of the options granted was calculated assuming the risk free interest rate was 2.5%, the expected life of the options was five years and the expected volatility was 4.5%. The market price of the Company's shares at the grant date exceeded the option exercise price. The options granted resulted in stock based compensation expense and contributed surplus of $64,692 during the period.

(continues)

11. SHARE CAPITAL *(continued)*

The following table summarizes activity related to stock options:

	Number	**Weighted Average Exercise Price 2006**	Number	Weighted Average Exercise Price 2005
Balance, beginning of year	**662,051**	**$ 0.33**	596,863	$ 0.30
Granted	**622,857**	**1.12**	150,000	0.45
Expired	**(79,316)**	**0.30**	-	-
Exercised	**(292,143)**	**0.46**	(84,812)	0.30
Outstanding, end of year	**913,449**	**$ 0.83**	662,051	$ 0.33
Exercisable, end of year	**913,449**	**$ 0.83**	622,051	$ 0.33

The following table summarizes stock options outstanding at April 30, 2006:

Expiry Date	**Number outstanding**	Exercise Price
September 27, 2007	**27,667**	0.70
February 28, 2008	**480,000**	1.25
December 22, 2008	**255,782**	0.30
March 21, 2010	**150,000**	0.45
	913,449	

(d) Warrants

The following table summarizes warrants outstanding at April 30, 2006:

	Expiry Date	Exercise Price	**2006 Warrants Outstanding**	2005 Warrants Outstanding
Issued pursuant to private placement in September, 2005	September 27, 2007	$ 0.85	**709,581**	-
Issued pursuant to private placement in February, 2006	February 28, 2008	$ 1.50	**2,400,000**	-
			3,109,581	-

The weighted average exercise price of the outstanding warrants is $1.35.

12. CONTRIBUTED SURPLUS

The following table summarizes the changes in contributed surplus:

	2006	2005
Balance, beginning of year	$ **64,692**	$ -
Stock based compensation expense	**-**	64,692
Stock based compensation issued to agents on private placements *(Note 11(c))*	**305,377**	-
Fair value of options on exercise *(Note 11(b))*	**(77,501)**	-
Balance, end of year	$ **292,568**	$ 64,692

13. PRIOR PERIOD ACCOUNTING ERROR

At April 30, 2005, consignment inventory in the amount of $90,674 was inadvertently recorded in inventory. As a result of this accounting error the prior period's financial statements have been restated to:

- decrease inventory by $90,674;
- increase cost of product sales by $90,674;
- decrease income tax provision by $30,485;
- decrease net income for the year by $60,189;
- decrease income taxes payable by $30,485; and
- decrease retained earnings by $60,189.

14. CASH FLOW SUPPLEMENTARY INFORMATION

	2006	2005
Interest paid	$ **318,402**	$ 142,616
Income taxes paid	$ **244,384**	$ -
Stock based compensation relating to options (issued to agents) reflected as share issuance costs	$ **305,377**	$ -
Future income tax effect of share issuance costs	$ **208,242**	$ -

15. FINANCIAL INSTRUMENTS

a) The Company's financial instruments consist of cash and cash equivalents, accounts receivable, loan receivable, bank indebtedness, accounts payable and accrued liabilities, callable debt and long term debt. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximate their carrying values, unless otherwise noted.

b) The Company is exposed, in its normal course of business, to credit risk from customers. A significant portion (29%) of the outstanding accounts receivable at April 30, 2006 is due from two customers. No other single party accounts for a significant balance of accounts receivable.

16. LEASE COMMITMENTS

The Company leases equipment and premises under long term operating leases. The leases for premises are exclusive of operating costs. Future minimum annual lease payments are as follows:

	2007	2008	2009	2010	2011
Equipment	$ 651,177	$ 597,913	$ 569,425	$ 380,475	$ 38,949
Premises	215,494	215,494	66,505	-	-
	$ 866,671	$ 813,407	$ 635,930	$ 380,475	$ 38,949

17. RELATED PARTY TRANSACTIONS

During the year the Company had the following transactions with related parties:

(a) Leased premises from a company controlled by a director, for total consideration of $81,600 (2005 - $40,800)

(b) Paid or accrued management and consulting fees to a company controlled by a director in the amount of $160,380 (2005 - $51,000). The Company pays consulting fees of $9,350, increasing by 10% per year, pursuant to a contract agreement expiring on November 14, 2009. In addition, if the Company's net earnings before tax reach $500,000, the contract agreement requires a bonus payment of 5% on the first $500,000 of the Company's earnings before tax, 6% on amounts between $500,001 and $800,000, 7% on amounts between $800,001 and $1,000,000 and 7.5% on amounts over $1,000,000.

(c) The Company is indebted to a former director of the Company for an amount of $245,402 (2005 - $333,415) (see note 9). With respect to this loan, interest of $12,463 (2005 - $9,698) has been paid during the year.

(d) The Company is indebted to a director of the Company for an amount of $140,000 (2005 - $140,000) (see note 9).

(e) Effective November 8, 2004 the Company acquired all the outstanding shares of McClelland (see note 1). At date of acquisition a director of the Company was as shareholder of McClelland. Consideration received by the director was 850,000 common shares of the Company and a promissory note for $140,000 (see note 9).

These transactions are in the normal course of operations and have been valued in these financial statements at the exchange amount which is the amount of consideration established and agreed to by the related parties.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with financial statement presentation adopted for the current year.

BOARD OF DIRECTORS

John I. Babic
Chairman and Chief Executive Officer
Dalmac Energy Inc.

Steven M. Babic
Sales and Marketing
Dalmac Energy Inc.

Shawn T. Szydlowski
National Accounts Manager
Bell Canada

Leonard D. Jarozuk
President
Enterprise Oil Ltd.

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BANKER

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Edmonton, Alberta

AUDITOR

Stout & Company LLP Chartered Accountants
Edmonton, Alberta

LEGAL COUNSEL

Chamberlain Hutchison
Edmonton, Alberta

STOCK EXCHANGE LISTING

Dalmac Energy is traded on the TSX V Exchange under the trading symbol DAL. Fiscal year-end is April 30.

TRANSFER AGENT & REGISTRAR

Computershare Trust Company of Canada
Calgary, Alberta

INVESTOR INQUIRIES

Contact Name: John I. Babic
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DALMAC ENERGY INC.

"Doing It Right"

Annual Report 2006

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